

## Message Text

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ACTION EB-07

INFO OCT-01 EA-07 NEA-10 ISO-00 IO-11 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 DODE-00 PM-04 H-02 L-03 PA-01

PRS-01 /107 W

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R 210807Z JAN 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 1239

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY NEW DELHI

AMEMBASSY ISLAMABAD

AMEMBASSY SINGAPORE

AMEMBASSY CANBERRA

AMEMBASSY WELLINGTON

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DEPARTMENT PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, EAID, JA

SUBJECT: JAPAN SENDING FINANCIAL MISSION TO VISIT SEA AND OCEANIA

1. SUMMARY: JAPAN IS SENDING ITS FIFTH OR SIXTH INTERNATIONAL FINANCIAL MISSION TO NINE COUNTRIES BEGINNING JAN 28. THE PURPOSE OF THE MISSION IS TO STUDY WAYS TO PROMOTE JAPAN'S FUTURE ECONOMIC AND FINANCIAL COOPERATION WITH THE COUNTRIES OF THE REGION. IT WILL MEET WITH GOVERNMENT LEADERS, GOVERNMENT-RELATED FINANCIAL INSTITUTIONS, AND PRIVATE ECONOMIC OR-

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GANIZATIONS. THE MISSION IS BEING HEADED BY FINANCE VICE MIN

FOR INTERNATIONAL FINANCE, TAROICHI YOSHIDA, AND WILL INCLUDE OFFICIALS FROM BANK OF JAPAN, JAPAN EXIM BANK, FONOFF, AND MID-MANAGEMENT REPRESENTATIVES OF JAPANESE MAJOR BANKS.

2. ENGLISH LANGUAGE JAPAN TIMES' JAN 17 CARRIED LONG ARTICLE ON PURPOSE OF MISSION AND JAPANESE ASPIRATIONS WRITTEN BY YOSHIDA. OF GREATEST INTEREST IS HIS PROPOSAL THAT "WE ASIAN AND OCEANIA COUNTRIES MAY FIND IT USEFUL TO HAVE A CONSULTATIVE ORGAN TO PERMIT A FRANK EXCHANGE OF VIEWS AMONG OURSELVES, IN OTHER WORDS, A PLACE JUST LIKE THE RAMBOUILLET CONFERENCE WHERE WE COULD DEEPEN OUT MUTUAL UNDERSTANDING." YOSHIDA TWICE MENTIONS "THE TENDENCY OF U.S. POLICY TO REDUCE THAT NATION'S INVOLVEMENT IN ASIA FOLLOWING THE END OF THE WAR IN VIETNAM."

3. YOSHIDA DOES NOT OFFER MANY CONCRETE PORPOSALS. INTERNATIONAL TRADE WILL GROW AND CONTRIBUTE "SIGNIFICANTLY TO THE DEVELOPMENT AND PROSPERITY OF ASIA AND OCEANIA," HE SAYS. THE IMF COMPENSATORY FINANCING FACILITY "PROMISES GREAT BENEFIT TO ASIAN COUNTRIES IN THE FUTURE." PROMOTION OF DIRECT INVESTMENT IS CONSIDERED "BESIRABLE" AND THE MISSION WILL APPARENTLY REVIEW FINANCING POSSIBILITIES FOR EITHER JOINT VENTURES OR EXTENSION OF HOST COUNTRIES ASSISTED BY JAPANESE FIRMS. YOSHIDA PERSONALLY FAVORS A GREATER ACCESS TO THE TOKYO CAPITAL MARKET AND MORE LOANS BY THE JAPANESE FOREX BANKS. HOWEVER, THAT WILL DEPEND ON "A LITTLE MORE IMPROVEMENT" IN JAPAN'S BALANCE OF PAYMENTS AND THE RAISING OF FUNDS OF JAPANESE FOREX BANKS.

4. YOSHIDA MENTIONS THAT ECONOMIC CONDITIONS IN JAPAN HAVE A GREAT IMPACT ON THE ECONOMIES OF ASIA AND OCEANIA. HE NOTES, MOREOVER, COOPERATION GIVEN BY JAPAN IN THE FIELD OF CAPITAL AND FINANCE, WHICH DEPENDS UPON THE CONDITION OF THE JAPANESE ECONOMY, DIRECTLY AFFECTS THE BALANCE OF INTERNATIONAL PAYMENTS OF EACH COUNTRY IN ASIA AND OCEANIA.

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5. HE WRITES THAT "COOPERATION IN THE FIELD OF CURRENCIES WILL BE BROUGHT INTO FOCUS IN THE FUTURE. THERE MAY BE A TENDENCY FOR ASIA AND OCEANIA COUNTRIES TO OBTAIN YEN ASSETS SUCH AS JAPANESE NATIONAL BONDS OR JAPANESE GOVERNMENT GONDS, IN LINE WITH THE ACCUMULATION OF YEN DEBTS AS A RESULT OF DEFFERED PAYMENTS ON IMPORTS OR YEN CREDITS. IT IS ALSO POSSIBLE THAT IN THE FUTURE SOME COUNTRIES MAY WANT THEIR CURRENCIES

LINKED WITH THE YEN."

6. COMMENT: JAPANESE CAPITAL MARKET HAS BEEN TEMPORARILY CLOSED TO NEW FOREIGN ISSUES AND MUCH OF JAPAN'S FOREIGN LENDING WILL INVOLVE OFFICIAL AND PRIVATE EXPORTS CREDITS (INCLUDING MIDDLE EAST COUNTRIES). NEW DIRECT INVESTMENT PROJECTS APPEAR LESS ATTRACTIVE NOW WHEN JAPAN'S GROWTH RATE IS SUBSTANTIALLY SLOWER THAN IN THE PAST.

7. EMBASSY NOTES THAT YOSHIDA'S ARTICLE TWICE EMPHASIZED WHAT HE SEES AS "TENDENCY OF U.S. POLICY TO REDUCE INVOLVEMENT IN ASIA FOLLOWING THE END OF THE WAR IN VIET NAM." APPARENTLY, YOSHIDA WANTS TO USE THIS ARGUMENT TO STIMULATE GREATER JAPANESE PARTICIPATION AND DEVELOP STRONGER TIES IN THE REGION, BUT RUNS UP AGAINST FACT THAT JAPAN IS NOT YET WILLING TO EXPAND NEW CONCRETE AID AND OTHER ECONOMIC ASSISTANCE. HIS VIEWS, OF COURSE, ARE THOSE OF A CONSERVATIVE BUREAUCRAT IN THE FINANCE MINISTRY WHICH USUALLY RESISTS INCREASED SPENDING, ESPECIALLY AT THIS TIME, WHEN REVENUES ARE SLACK DUE TO THE RECESSION, AND THE YEN IS WEAK. WE THEREFORE EXPECT THAT THIS JAPANESE MISSION WILL PRODUCE FEWER CONCRETE RESULTS THAN ITI MIN KOMOTO'S RECENT TRIP TO THE MIDDLE EAST WHICH REPORTEDLY RESULTED IN PROGRESS ON OVER TWO BILLION DOLLARS WORTH OF ECONOMIC ASSISTANCE PROJECTS.  
SHOESMITH

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